

JCTR PRESS RELEASE**05 FEBRUARY 2011****WILL THE MINIMUM WAGE INCREASE THE PURCHASING POWER FOR EMPLOYEES?
JCTR ASKS AS THE LUSAKA BNB REACHES K3,000,000**

The minimum wage is one of the most important labour market policies in any economy. It is an instrument that raises much debate due to mainly three things. First, its effects on the welfare of employees, especially those in the low-income brackets. Second, its impact on the cost of production and, third, its legal implication as once decided upon, an employer cannot legally pay their workers a wage below the threshold.

In January 2011, the Zambian Government revised the minimum wage by 56% from K268,800 to K419,000 (approximately \$90) per month. Once allowances are added, the monthly minimum wage rises to K767, 100 up from the previous K499,440. The minimum wage and conditions of employment statutory instruments were last revised in 2006.

Generally, the minimum wage serves the purpose of protecting low-wage workers. Raising the minimum wage creates ripple socio-economic effects as it has the immediate potential of reducing poverty as increased income boosts the purchasing power of the most vulnerable workers and encourages spending on basic needs. Other things being equal, this stimulates production to meet the increased demand and ultimately contribute towards economic development.

“While the increase of the minimum wage was seemingly significant”, says Miniva Chibuye, Programme Manager for the Social Conditions Programme at the JCTR, “it is important to analyse this in light of the cost of living using the *JCTR’s Basic Needs Basket (BNB)*”. The *BNB* is a tool that measures the average cost of basic food and essential non-food commodities for a Zambian average family of six in a specific town. In Lusaka, the *BNB* recorded a considerable increase from K2,897,430 in December 2010 to K3,019,100 in January 2011. The increase was attributed to the rise in the cost of some basic food commodities such as Kapenta, Dry fish, Meat, Beans and Vegetables. An upward adjustment in the essential non-food items such as water and sanitation from K114,530 to K210,000 in a medium density area also contributed to the increase. In fact, the total *BNB* figure is likely to increase in subsequent months once the cost of housing is adjusted to reflect the current housing rentals.

In nominal terms, K3,019,100, which is the total *BNB* for January signifies a percentage increase to the tune of 113% when compared to the *BNB* total of K1,415,650 recorded in January 2006. In relation to the cost of basic food alone, the *BNB* shows 89% increase from K506,250 in January 2006 to K956,700 in January 2011.

According to Ms. Chibuye, “despite Government’s efforts to increase income for the lowest paid employees, the minimum wage has failed to keep pace with the rising cost of living as evidenced by the growing gap between the threshold and the cost of basic needs since the last revision in 2006”. Consequently, employees who earn the exact or just above the minimum wage simply cannot afford adequate food and other essential household needs that enhance human dignity for themselves and their families.

Thus, the minimum wage can only be effective if it enables an employee meet his/ her basic needs and that of the family. However, a common argument against such a threshold is that it would invariably lead to a decrease in employment resulting from high cost of labour. This is especially so for small businesses who genuinely cannot afford to pay wages commensurate to the cost of living.

Nevertheless, *JCTR* encourages employers to pay wages proportionate to the cost of living in order to safeguard the well being of the workers and foster the rights and dignity of their families. Furthermore and as suggested before, *JCTR* encourages Government to at least index the minimum wage to inflation. This would enable a constant revision of the minimum wage and reduce on protracted discussions among the Government, employers and trade unions such that by the time the revisions are made, the increase would be meaningless in relation to changes in the cost of living.

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Basic Needs Basket (BNB) for January 2011: WILL THE MINIMUM WAGE INCREASE THE PURCHASING POWER FOR EMPLOYEES? JCTR ASKS AS THE LUSAKA BNB REACHES K3,000,000

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